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8 IN THE UNITED STATES DISTRICT COURT
9 FOR THE NORTHERN DISTRICT OF CALIFORNIA
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11 3COM CORP,

No C 03-2177 VRW

12 Plaintiff,

ORDER

13 v
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15 D-LINK SYSTEMS, INC,

16 Defendant,
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18 REALTEK SEMICONDUCTOR CORP,
19

20 Intervenor.
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22
23 Plaintiff 3Com Corporation (3Com) brought this suit
24 alleging that two products of defendant D-Link Systems, Inc (D-
25 Link) infringe three of 3Com's patents. Doc #1, ¶10. Realtek
26 Semiconductor Corporation (Realtek) later intervened. Doc #108.
27 3Com also alleges that Realtek infringes seven 3Com patents. Doc
28 #120. In the first two years of this case, the undersigned judge

1 and Magistrate Judge Zimmerman dealt with myriad disputes related
2 to 3Com's seriously troubling conduct. The current dispute relates
3 to Realtek's motion to strike 3Com's amended preliminary
4 infringement contentions (PICs), which reference products not
5 accused in 3Com's original PICs. Magistrate Judge Zimmerman denied
6 Realtek's motion. Doc #286. Realtek subsequently filed a motion
7 in this court objecting to Magistrate Judge Zimmerman's ruling.
8 Doc #295. The court vacated Magistrate Judge Zimmerman's ruling
9 and ordered 3Com to show cause "why Realtek products not named in
10 3Com's original preliminary infringement contentions should not be
11 stricken in light of (1) Pat L R 3-7, (2) 3Com's representations to
12 the court during the further case management conference held on
13 June 21, 2005, and (3) the understandings of the parties and their
14 counsel when drafting the stipulated proposed discovery order, Doc
15 #269." Doc #306. 3Com has now responded to the order to show
16 cause and opposes Realtek's motion to strike. Doc #316. For the
17 reasons that follow, the court DENIES Realtek's motion to strike.

I

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20 On January 17, 2003, 3Com filed its infringement
21 complaint against D-Link in the United States District Court for
22 the District of Delaware. Doc #1. That court transferred the
23 action to this court pursuant to 28 USC § 1404(a) on April 24,
24 2003, and the case was assigned to the undersigned. On November
25 17, 2003, pursuant to Pat L R 3-1, 3Com served its PICs on D-Link.
26 Doc #157 (Morr Decl) Ex A. The PICs accused two specific D-Link
27 products, DFE-530TX (530TX) and DFE-550TX (550TX), both a type of
28 network interface card (NIC), of infringing three 3Com patents,

1 namely United States patent Nos 5,434,872 ('872), 5,732,094 ('094)
2 and 5,307,459 ('459). Id. Pursuant to Pat L R 3-1(c), 3Com
3 attached a "[two-column] chart identifying specifically where each
4 element of each asserted claim is found within each accused product
5 of D-Link * * *." Id at 2, Appendix A. The first column listed
6 the specific elements of the asserted claims of 3Com's three
7 patents, and the second column stated that "testing demonstrated
8 that the processor included in the D-Link DFE-530TX and DFE-550TX
9 is operable to * * *," followed by language that is virtually
10 identical to the language of the claim itself. In due course, D-
11 Link moved to strike 3Com's PICs, and 3Com opposed. Docs ##156,
12 205. In addition, 3Com moved to amend its PICs, and D-Link
13 opposed. Docs ##175, 204.

14 Realtek intervened in the case on June 23, 2004. Doc
15 #108. In 3Com's answer to Realtek's complaint requesting
16 declaratory judgment, 3Com accused Realtek of infringing seven of
17 3Com's patents, including the patents asserted against D-Link (the
18 '459, '872 and '094 patents) as well as United States patent Nos
19 6,115,776 ('776), 6,327,625 ('625), 6,526,446 ('446) and 6,570,884
20 ('884). Docs ##108, 120. 3Com served Realtek with PICs on January
21 14, 2005 (the "original PICs"). The PICs served on Realtek were
22 similar to the PICs served on D-Link, but the PICs against Realtek
23 did not include the assertion that "testing" was conducted. Doc
24 #296 (Rader Decl) Ex B. Realtek wrote the court to complain that
25 the original PICs were insufficient. Id, Ex C.

26 On May 5, 2005, the court issued an order (the "May 5
27 order"). Doc #251. The May 5 order granted D-Link's motion to
28 strike 3Com's PICs. Id at 14. The court also granted 3Com's

1 motion to amend its PICs in part. Id at 18. 3Com was permitted to
2 amend its PICs to accuse the 530TX+ product (which happened to
3 contain a Realtek chipset) and no others. Id. Finally, the court
4 sanctioned 3Com pursuant to 28 USC § 1927. Id at 20. Realtek,
5 however, was not substantively involved in the motions related to
6 the May 5 order. See Docs ##156, 175, 204 and 205. To be sure,
7 the PICs at issue in the May 5 order were the PICs 3Com served on
8 D-Link before Realtek intervened. The court summarizes the May 5
9 order because its analysis is relevant to the discussion below.

10 3Com's PICs against D-Link asserted that 3Com had tested
11 the 530TX and 550TX when it had not. 3Com's claim that "testing
12 demonstrated * * *" led D-Link to seek discovery on the alleged
13 testing. Doc #251 at 3. 3Com attempted to hide its lack of
14 testing in two ways. First, in one maneuver, 3Com heavily resisted
15 discovery of the testing information. Id at 3. Pursuant to
16 Magistrate Judge Zimmerman's order, 3Com eventually produced three
17 documents that were represented to be the only documents relied
18 upon in preparing the PICs against D-Link. Id at 5. But the
19 documents did not relate to either the 530TX or the 550TX. Id at
20 5-6. Instead, 3Com had tested a D-Link product, the 530TX+ that
21 contained a Realtek RTL8139 chipset. Id. Second, when faced with
22 the correct finding that 3Com had not tested either the 530TX or
23 550TX (in fact, 3Com admitted this to Magistrate Judge Zimmerman),
24 3Com tried to downplay the differences between the 530TX and the
25 530TX+. Id at 7. Magistrate Judge Zimmerman rejected the argument
26 that the 530TX "family of products" was broad enough to capture the
27 530TX+. Id at 6.

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1 In short, the court struck 3Com's PICs because the only
2 products accused in the PICs were the 530TX and the 550TX. 3Com,
3 by accusing these two products, did not accuse the 530TX+. Since
4 no testing had been conducted on the accused products (i e, the
5 530TX and 550TX), all references to "testing demonstrated" were
6 struck. Id at 11. The court struck the remainder of the PICs
7 served on D-Link because 3Com did not otherwise conduct a
8 "reasonable prefiling inquiry." Id at 14.

9 Only when 3Com's improper actions failed did 3Com admit
10 its mistake and move to amend its PICs to accuse the correct
11 product. Id at 17. Accordingly, the court next examined 3Com's
12 motion for leave to amend. The court rejected 3Com's "scrivener's
13 error" argument because, as a factual matter, that argument
14 necessitated the conclusion that either 3Com lied in its Rule
15 30(b)(6) deposition or 3Com's counsel lied in representing what
16 documents he relied upon in preparing the PICs. Id at 16. Left
17 with "nothing but 3Com's misrepresentations and shifting
18 positions," the court weighed this "heavily against a finding of
19 good cause" to amend. Id at 18. On the other hand, because D-Link
20 and Realtek were fully aware, as of June 2003, that 3Com had tested
21 the D-Link 530TX+ (and hence the Realtek RTL8139), neither party
22 could claim surprise. Id. The court also relied on the fact that
23 the suit was "in its early stages and no Markman hearing date has
24 been set." Id. The court concluded that a compromise was
25 appropriate: 3Com could amend its PICs to accuse the 530TX+ only,
26 and the damage period would be truncated. Id. Following the May 5
27 order, 3Com retained new counsel. From this point, the current
28 dispute takes shape.

In mid-June 2005, the parties (including 3Com's new counsel) conferred, tentatively agreed on a joint schedule and filed a joint discovery schedule and proposed order. Doc #269. An email chain was generated from the parties' efforts to reach a joint agreement. See Doc #317 (Gutman Decl), Exs N-S. A case management conference was held on June 21, 2005. Doc #271. Then, on September 16, 2005, 3Com served Realtek with its amended PICs in accordance with the joint schedule. These amended PICs accused products not identified in the original PICs. Subsequently, Realtek and 3Com exchanged several letters regarding the substance of the amended PICs and the addition of new products to the amended PICs. Realtek alleged non-compliance with Pat L R 3-1(c) and 3-2(b), and the court referred the dispute to Magistrate Judge Zimmerman. Docs ##275, 277. Through no fault of his own, Magistrate Judge Zimmerman addressed whether the newly accused products should be stricken, which was outside the scope of the matters referred. Docs ##286, 306. Accordingly, the court vacated Magistrate Judge Zimmerman's order denying Realtek's motion to strike. Doc #306. Additionally, the court ordered 3Com to show cause why the newly accused Realtek products should not be stricken. Id.

The issue here is whether 3Com's amended PICs against Realtek, which accuse Realtek products not identified in the original PICs, should be stricken.

II

Whether 3Com's amended PICs accusing new products should be stricken depends on two questions: (1) As required by Pat L R

1 3-7, did 3Com have leave to amend its original PICs against
2 Realtek? (2) If yes, what was the scope of 3Com's leave to amend
3 given the understanding of the parties and their counsel when
4 drafting the stipulated proposed discovery order (Doc #269), and
5 given 3Com's representations to the court at the June 21 case
6 management conference?

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8 A

9 The first question can be disposed of easily. Under the
10 patent local rules, there are only two ways to amend PICs. One is
11 not applicable here. Pat L R 3-6 (allowing certain amendments
12 after a claim construction ruling or after documents are produced
13 under Pat L R 3-4). The other is by leave of court. Pat L R 3-7.
14 It is clear that both Realtek and D-Link agreed to permit 3Com to
15 amend its PICs. The court approved this at the June 21 case
16 management conference. Accordingly, 3Com was permitted by the
17 court, as well as by Realtek and D-Link, to amend its PICs.

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19 B

20 This brings the court to the second question concerning
21 the scope of the amendments permitted. Resolving this question
22 requires examining three issues: (1) the effect of the May 5 order
23 on 3Com's ability to amend PICs as to Realtek; (2) whether there
24 was any agreement, beyond the May 5 order, that limited 3Com's
25 ability to add products not accused in the original PICs against
26 Realtek; and (3) whether the court would have found good cause to
27 grant leave, had 3Com explicitly moved for leave to amend in the
28 summer of 2005.

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For the following reasons, the court finds that the May 5 order did not limit 3Com's ability to amend its PICs against Realtek. First, the May 5 order addressed PICs served on D-Link in November 2003, before Realtek intervened in this case. Doc #251. The May 5 order did not address 3Com's PICs served on Realtek in January 2005. Id. Once Realtek intervened, it did not participate in the motions that concluded with the May 5 order. Also, some of D-Link's arguments supporting its motion to strike 3Com's PICs were predicated on the ability to pursue Realtek, the party whose product had been tested. Further, none of the D-Link products excluded by the May 5 order contained a Realtek chipset. The one D-Link product that 3Com was allowed to add in its amended PICs did contain a Realtek chipset. Finally, while some of the claims and patents asserted against D-Link and Realtek overlap, the two sets of patents are substantially different. All of these reasons lead the court to conclude that the May 5 order, on its face, did not limit 3Com amending vis-a-vis Realtek.

Second, 3Com's original PICs against Realtek did not contain the incorrect statement "testing demonstrated." It was these words, included in 3Com's PICs against D-Link, that were the subject of so much controversy. The May 5 order was a result of 3Com's troubling conduct around both the testing assertion and its attempts to conceal the fact that no accused products had been tested. This course of conduct started before Realtek intervened in the case and was largely related to the false and misleading testing assertion.

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1 Realtek states that the PICs served on Realtek were
2 nearly identical to those served on D-Link with the exception of
3 the "testing demonstrated" language, and therefore should be
4 stricken for the same reason. Doc #295 at 7. Realtek understates
5 the significance of the distinction. The testing assertion, and
6 disputes related to it, were the "factors weigh[ing] heavily
7 against a finding of good cause in allowing 3Com to amend" and the
8 basis for striking 3Com's PICs. Doc #251 at 18. This false
9 assertion was not made against Realtek. The court finds that the
10 testing assertion in the PICs against D-Link, and lack thereof in
11 the PICs against Realtek, make the two sets of PICs significantly
12 different. Accordingly, the court rejects Realtek's argument that
13 the PICs, as to D-Link and Realtek, were subject to being stricken
14 for the same reasons.

15 Third, rather than admit its mistake and seek leave to
16 amend its PICs at the appropriate time, 3Com prolonged its
17 deception and made blatant misrepresentations to the court
18 regarding the testing assertion. Id at 17. 3Com was punished for
19 its behavior. This "pattern of deceptive and inconsistent
20 positions" led the court to strike 3Com's PICs, allow only limited
21 amendments to the PICs and impose a significant monetary sanction.
22 Id at 18. In doling out 3Com's punishment, the court did not
23 address any matter as between 3Com and Realtek. With respect to
24 Realtek, 3Com has attempted to fix the mistakes within a reasonable
25 time after serving its original PICs on Realtek. 3Com's
26 deficiencies in its original PICs against Realtek are much less
27 severe because 3Com did not falsely claim testing had been
28 conducted and did not embark on a course of deception regarding

1 non-existent testing. For these additional reasons, the issues
2 addressed in the May 5 order differ from the current issues between
3 3Com and Realtek.

4 In sum, the May 5 order did not limit 3Com's ability to
5 amend its PICs against Realtek to accuse new products.

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8 Next the court must determine whether there was an
9 agreement or understanding between the parties regarding
10 limitations on 3Com's leave to amend its PICs. Realtek argues that
11 there was an understanding that 3Com would amend its PICs only to
12 the extent required to bring the PICs into compliance with the
13 patent local rules and not to accuse additional Realtek products.
14 Clearly, 3Com is limited as to D-Link by both the May 5 order and
15 an explicit agreement. 3Com admits this. Docs ##251, 269, 316 and
16 317 Ex R. But 3Com denies any such limitation exists as to
17 Realtek. Doc #316 at 5. There are two possible sources for
18 finding such an agreement between 3Com and Realtek: (1) the June
19 10-13 email chain related to the proposed discovery schedule (Doc
20 #269); and (2) the June 21 case management conference. Not
21 surprisingly, the parties characterize these two sources
22 differently.

23 The court takes the email chain up first. Following a
24 conference on the subject, counsel for 3Com, D-Link and Realtek
25 finalized the parties' proposed joint discovery schedule by email
26 between June 10 and June 13. Realtek argues that the emails show
27 an agreement that 3Com was permitted to amend its PICs only to the
28 extent required to conform the PICs to Pat L R 3-1, and not to

1 accuse additional products. Doc #295 at 4-5, 7 and 9. The court
2 disagrees and declines to find an "agreement" from these emails for
3 the following reasons.

4 The first email was sent by 3Com to D-Link and Realtek on
5 Friday, June 10, in the afternoon. Doc #317 (Gutman Decl) Ex N.
6 Realtek quickly responded that it "looks very close" and mentioned
7 only minor changes regarding dates. Id, Ex O. Shortly thereafter,
8 3Com amended the dates to conform to Realtek's request. Id, Ex P.
9 Then, Realtek approved the changes and stated that all that was
10 needed was confirmation from D-Link. Id, Ex Q. D-Link chimed in
11 later that evening to clarify that 3Com was not permitted to make
12 any amendments to the PICs that were inconsistent with the May 5
13 order. Id, Ex R. D-Link made several proposed revisions to the
14 joint discovery schedule and proposed order. Id. "This is fine
15 with Realtek," Realtek responded. Doc #318 (Gutman Decl) Ex S.
16 3Com's counsel did not agree with the language of the revision on
17 Friday evening, but on Monday D-Link and 3Com agreed to the phrase,
18 "[a]ll amendments are subject to the requirements of the Patent
19 Local Rules and the orders of the Court." Id. Realtek accepted
20 this change as well. Id.

21 Realtek effectively approved the joint discovery schedule
22 and proposed order before D-Link raised any questions about the
23 scope of the allowed amendments. It is clear that D-Link was
24 clarifying and emphasizing that D-Link was not acquiescing to any
25 amendment by 3Com that was inconsistent with the May 5 order. The
26 extent of Realtek's involvement in these clarifications was "That
27 is fine with Realtek" and "Great." The court finds it difficult to
28 see an "agreement" as between 3Com and Realtek when Realtek agreed

1 to the language before the question of scope was raised by D-Link,
2 and when Realtek's contribution to the discussion was so limited.
3 The email chain, specifically D-Link's proposed redlines (Doc #317
4 (Gutman Decl) Ex R), does raise the question whether 3Com should
5 have been extraordinarily cautious and specifically requested leave
6 to amend to accuse additional products under Pat L R 3-7. The
7 email chain does not, however, rise to the level of an agreement
8 between 3Com and Realtek.

9 The second source of disagreement between 3Com and
10 Realtek involves the June 21 case management conference. Realtek
11 states that 3Com "expressly" and "in open court" agreed that it
12 would only amend its PICs to comply with the patent local rules.
13 Doc #295 at 5. 3Com disputes this "open court" agreement.
14 Interestingly, Realtek did not submit the transcript as an exhibit
15 to show this purported express, open court agreement. Doc #296
16 (Rader Decl) at 3. The court has reviewed the transcript. Doc
17 #317 (Gutman Decl) Ex B. Again, the statements made at the case
18 management conference hardly support an agreement between 3Com and
19 Realtek. At best the transcript indicates a wash. Mr Gutman,
20 3Com's counsel, stated that 3Com would not only amend the PICs
21 against D-Link in accordance with the May 5 order, but 3Com would
22 be amending its PICs against Realtek. Id at 4.

23 It would not have been possible, however, at the time of
24 the case management conference for 3Com to know that it would
25 accuse new products in its amended PICs because 3Com's new counsel
26 had not yet conducted due diligence. 3Com admits this. Doc #316
27 at 4. This again raises the question of whether 3Com should have
28 been extraordinarily cautious and should have formally requested

1 leave to amend when it discovered that new products were
2 potentially infringing. Even so, 3Com's representations at the
3 case management conference are not enough to show some kind of
4 "express" agreement between 3Com and Realtek that 3Com would not
5 accuse new products.

6 Also, the court notes that its conclusion that the email
7 chain and the case management conference did not evidence some type
8 of agreement is bolstered by Realtek's letters to 3Com sent after
9 Realtek was served with the amended PICs, Realtek's November 15
10 letter to the court and Realtek's arguments to Magistrate Judge
11 Zimmerman. Realtek's letter of October 5 does not object to the
12 addition of new accused products, rather it complains that the
13 substance of the PICs does not satisfy Pat L R 3-1. Doc #317
14 (Gutman Decl) Ex I. Further, the letter states nothing about the
15 May 5 order or any agreement. Id. Realtek's letter of October 20
16 is similar in that there is no objection to additional accused
17 products, no mention of the effect of the May 5 order as to Realtek
18 and no allegation of any breached agreement. Id, Ex J. The first
19 objection to the addition of new accused products came in Realtek's
20 October 31 letter to 3Com. Id, Ex K. The objection was based on
21 the May 5 order. Id. But still, no reference was made to any
22 agreement. The same is true of Realtek's November 15 letter to the
23 court. Id, Ex L.

24 The court does not hold that Realtek waived its
25 objections to the addition of new products by failing to object or
26 make arguments related to the May 5 order and any "agreement." The
27 court, however, notes that the lack of objection and argument
28 reinforces the court's conclusion that there was no such agreement

1 and Realtek did not understand the May 5 order as binding on 3Com
2 at the time of the emails and case management conference.

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5 While, as discussed above, the May 5 order did not limit
6 3Com's ability to amend its PICs against Realtek and the court does
7 not find any "agreement" that 3Com would not accuse additional
8 Realtek products, the court does not agree fully with 3Com either.
9 That is, it is not readily apparent that Realtek opened itself up
10 unconditionally to amendments. 3Com states that, at the June 21
11 case management conference, "counsel for 3Com did not know which
12 Realtek products would be accused in the Amended PICS." Doc #316
13 at 4. Accordingly, it is not certain that Realtek agreed to grant
14 leave with no conditions attached. Further, as noted above, there
15 is a question whether 3Com should have been extraordinarily
16 cautious regarding the scope of its leave to amend - especially
17 given the conduct of prior counsel. For completeness, the court
18 examines whether 3Com has "good cause" to amend as required by Pat
19 L R 3-7. For the reasons that follow, the court finds that 3Com
20 has good cause.

21 First, the timing of the amendments supports finding good
22 cause. It is worth noting that Pat L R 3-1 is titled "Disclosure
23 of Asserted Claims and Preliminary Infringement Contentions."
24 "While the Court recognizes that the Patent Local Rules are
25 intended to force patent owners to finalize their contentions
26 early, preliminary infringement contentions are still preliminary."
27 General Atomics v Axis-Shield ASA, 2006 WL 2329464, 2 (ND Cal
28 2006). Good cause is clearly a flexible standard. In the context

1 of the patent local rules, setting too high a bar for good cause
2 would have the consequence of eliminating the distinction between
3 preliminary contentions and final contentions. Here, the
4 amendments came before any motions were made regarding the PICs,
5 before a Markman hearing and before the close of discovery. It is
6 to be expected that a patent holder may find other product
7 designations that infringe as discovery progresses.

8 Second, the additional accused products appear to be
9 substantially similar to the original accused products. As the
10 briefing on this subject is limited, the court reaches this
11 conclusion assuming, but without determining whether, the new
12 products accused in the amended PICs are merely more detailed
13 listings of the originally accused products with substantially
14 similar functionality. 3Com has not added any patents or any
15 claims to its amended PICs. This is consistent with discovering
16 new product number designations of products with substantially
17 similar functionality.

18 Further, 3Com explicitly stated that the products listed
19 in the original PICs were those "currently known" and would later
20 amend to include additional "chip designations." Doc #317 (Gutman
21 Decl) Ex F. While "a party cannot unilaterally amend the Patent
22 Local Rules" by inserting boilerplate language in its PICs, it is
23 consistent with the rules to allow amended PICs to accuse products
24 which represent a more detailed listing of products initially
25 known. Berger v Rossignol Ski Co, Inc, 2006 WL 1095914, 4 (ND Cal
26 2006). This is especially true when the PICs in question are
27 directed at an intervening party and when the intervention occurs
28 in the midst of a lengthy dispute. Although the lengthy dispute

1 between 3Com and D-Link was caused by 3Com's improper conduct, the
2 court does not believe 3Com is benefitting from its wrongful
3 conduct, as alleged by Realtek.

4 Third, there is no undue prejudice to Realtek. Absence
5 of a product's name or number is not a covenant not to sue for
6 infringement. This is especially true if a defendant is put on
7 notice by the naming of several products within a line of products
8 possessing similar functionality. Realtek has not presented any
9 evidence that it changed manufacture, sales or distribution with
10 respect to the products originally accused, so there is no reason
11 to infer that Realtek relied on 3Com's original PICs for business
12 decisions in the nine month period between January and September of
13 2005. The fact that certain, more detailed product numbers were
14 not included in the original PICs would not constitute a defense in
15 a separate infringement action.

16 The court also notes that judicial economy supports
17 allowing the amendment at this stage of the litigation. Finally,
18 Realtek is getting a second shot at its preliminary invalidity
19 contentions. Realtek has taken this opportunity to add invalidity
20 arguments and prior art references.

21 Accordingly, the court finds that 3Com had and - due to
22 the parties' misunderstanding, now has - good cause to amend its
23 PICs.

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1 III

2 For the reasons discussed above, the court DENIES
3 Realtek's motion to strike.

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6 IT IS SO ORDERED.

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9 VAUGHN R WALKER

10 United States District Chief Judge
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